Jupiter Solar Power Limited

April 27, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	130.73 (reduced from 153.85)	**CARE B; Stable (Single B; Outlook: Stable)**	**Reaffirmed**
Short-term Bank Facilities	68.44 (enhanced from 55)	**CARE A4 (A Four)**	**Reaffirmed**
Total	**199.17 (Rupees One hundred ninety nine crore and seventeen lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Jupiter Solar Power Limited (JSPL) continue to be constrained by the volatility in raw material and finished goods prices and exposure to foreign exchange fluctuation risk. The ratings also take into account the improvement in financial performance in FY16 (refers to the period April 1 to March 31) though networth continued to remain negative along with stretched liquidity arising from increase in working capital requirement. The ratings however, derive strength from the experience of the promoters, established relationship with reputed clientele, satisfactory capacity utilisation and positive outlook for the solar power industry.

The ability of the company to increase scale of operations, improve profitability and capital structure and effectively manage working capital would remain the key rating sensitivities.

Detailed Description of key rating drivers

Key Rating Weaknesses

Volatility in raw material prices & finished goods and exposure to forex fluctuation: Raw material consumption is the single largest cost component for JSPL. Since raw material prices are volatile in nature, the profitability margin of the company is susceptible to input price fluctuation. Also, the company is exposed to forex fluctuation risk as it makes the payment in USD. On the other hand, the selling price is also linked to USD, which mitigates forex risk to a large extent. JSPL has a hedging policy in place for the foreign liabilities.

Stressed Liquidity position with negative networth, though financial performance improved in FY16: The company's total operating income increased by 55% in FY16. The PBILDT margin decreased in FY16 as compared with FY15 due to higher material costs. However, it continued to remain high. The networth of the company continued to remain negative as on March 31, 2016 due to significant amount of losses incurred till FY14. The average utilisation of cash credit stood close to 100% for the past 12 months and the liquidity remained stretched with growth in operations resulting in higher working capital requirement.

Key Rating Strengths

Experienced promoters: JSPL is promoted by Mr. R.K Garodia (Chairman) and his son Mr. Alok Garodia (MD). Mr. Alok Garodia (MD) has more than 20 years of experience in both manufacturing and trading of computer hardware related products and looks after day to day affairs of the company.

Satisfactory capacity utilization with reputed clientele: JSPL derived benefits from its superior product quality and competitive pricing given lower cost of operations. In FY16, though the production quantity increased to 80.72 MW as against 43.09 MW in FY15, capacity utilisation declined due to the significant increase in capacity. Further, the company has an established client base of reputed entities operating in the solar sector from which it gets repeat orders.

Government support for the solar power industry: In November 2014, the government revised the target under JNNSM from 20,000 MW of grid connected solar power by 2022 to 100,000 MW. With the intention to promote the local manufacturing of the components of solar generation equipment including cells and modules, the government has introduced the policy of DCR wherein the cells required for producing the module and the modules to be used in the power plant must both be made in India.

Analytical approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition]

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

[Financial ratios – Non-Financial Sector]
[Criteria for Short Term Instruments]
[CARE's Policy On Assigning Outlook]
[Rating Methodology- Manufacturing Companies]

About the Company
JSPL, promoted by the Garodia family of Kolkata, was incorporated in 2006. JSPL is a subsidiary (58.98%) of Jupiter International Ltd (rated CARE B; Stable/CARE A4), the flagship company of the group. JSPL commenced commercial operations from March 2010 by setting up capacity of 32MW for manufacturing solar photo voltaic (SPV) cells at Baddi, Himachal Pradesh. The capacity was enhanced to 48 MW in April 2011 and subsequently to 133 MW in March 2015 by technological up-gradation of existing facilities.
During FY16, JSPL reported PAT of Rs.15.42 crore on total operating income of Rs.217.32 crore against PAT of Rs 12.91 crore on total operating income of Rs.136.16 crore in FY15. During 9MFY17, total operating income was Rs 201.57 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2
Note on complexity levels of the rated instrument*: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	45.00	CARE B; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	6.00	CARE A4
Non-fund-based - ST-Letter of credit	-	-	-	53.00	CARE A4
Fund-based - LT-Term Loan	-	-	September 2021	85.73	CARE B; Stable
Non-fund-based - ST-Forward Contract	-	-	-	9.44	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	45.00	CARE B; Stable	-	1)CARE B (13-Apr-16)	-	1)CARE B (25-Mar-15)
2.	Non-fund-based - ST-Bank Guarantees	ST	6.00	CARE A4	-	1)CARE A4 (13-Apr-16)	-	1)CARE A4 (25-Mar-15)
3.	Non-fund-based - ST-Letter of credit	ST	53.00	CARE A4	-	1)CARE A4 (13-Apr-16)	-	1)CARE A4 (25-Mar-15)
4.	Fund-based - LT-Term Loan	LT	85.73	CARE B; Stable	-	1)CARE B (13-Apr-16)	-	1)CARE B (25-Mar-15)
5.	Non-fund-based - ST-Forward Contract	ST	9.44	CARE A4	-	-	-	-

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